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OPTIONE, INC.
HAMMOND, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 1981

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the county and other agencies in public officials. The report is available for public inspection at the latest House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUN 18 1982

OPTICS, INC.
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August 24, 2001

INDEPENDENT AUDITORS' REPORT

Board of Directors
Options, Inc.
Hammond, Louisiana

Ladies and Gentlemen:

I have audited the accompanying statement of financial position of:

OPTIONS, INC.
(a nonprofit organization)

as of June 30, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Options, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options, Inc. as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member of
American Institute of Certified Public Accountants
Arkansas Society of Certified Public Accountants
Society of Louisiana CPAs

**INDEPENDENT AUDITORS' REPORT
(CONCLUDED)**

In accordance with Government Auditing Standards, I have also issued my report dated August 24, 2000, on my consideration of Options, Inc.'s internal control over financial reporting, and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Options, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Also, the Schedule of Functional Expenses on Page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John M. Campbell, CPA, AICPA

OPTIGOS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

	<u>ASSETS</u>
ASSETS	
Cash	\$ 637,813
Investments	4,038
Accounts receivable	436,256
Prepaid expenses	3,950
Deposits	15,573
Land	121,867
Building and improvements	545,825
Furniture and fixtures	352,794
Vehicles	483,124
Less: accumulated depreciation	<u>(748,780)</u>
TOTAL ASSETS	<u>\$1,862,042</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$1,300
Cafeteria plan payable	44,543
Compensated absences payable	31,738
Accrued salaries	84,123
Other	3,808
Notes payable	<u>173,948</u>
Total Liabilities	<u>339,500</u>
NET ASSETS	
Unrestricted net assets	<u>1,522,542</u>
Total Net Assets	<u>1,522,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,862,042</u>

The accompanying notes are an integral part of the financial statements.

OPTIONS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2001

<u>PUBLIC SUPPORT</u>	
Contributions	<u>\$ 394,824</u>
<u>GOVERNMENT GRANTS</u>	
State Grants and Title XIX	<u>2,734,584</u>
<u>OTHER REVENUE</u>	
Program service fees	230,823
Contract work	319,021
Interest income	31,452
Other income	<u>12,129</u>
<u>Total Other Revenue</u>	<u>385,445</u>
<u>TOTAL UNRESTRICTED PUBLIC SUPPORT, GOVERNMENT GRANTS, AND OTHER REVENUE</u>	<u>3,467,844</u>
<u>EXPENSES</u>	
Program Services:	
Supervised apartments	499,142
Habilitation Program	1,084,164
Residential programs	1,085,230
Respite care	149,878
Personal care	485,620
Crisis Intervention	<u>39,325</u>
<u>Total Program Services</u>	<u>3,295,391</u>
<u>SUPPORTING SERVICES</u>	
Management and general	<u>75,461</u>
<u>TOTAL EXPENSES</u>	<u>3,371,852</u>
<u>INCREASE IN NET ASSETS</u>	<u>136,812</u>
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>1,338,332</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$1,475,144</u>

The accompanying notes are an integral part of the financial statements.

OPTIKS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) of support and revenue over expenses	
(Change in net assets)	\$ 135,012
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	307,083
Gain on Sale of Equipment	4,165
(Gain) Loss on Investments	
(Increase) decrease in:	
Accounts receivable	61,931
Prepaid expenses	(139)
Deposits	627
Increase (decrease) in:	
Accounts payable	(3,342)
Customer plan payable	4,439
Accrued salaries	18,428
Other payables	(81,764)

**NET CASH FROM OPERATING
ACTIVITIES**

267,646

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(125,728)
Sale of available for sale securities	47,638

**NET CASH FROM INVESTING
ACTIVITIES**

(88,150)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term debt	49,904
Payments of notes payable	(74,562)

**NET CASH FROM FINANCING
ACTIVITIES**

13,401

**INCREASE IN CASH AND
CASH EQUIVALENTS**

198,897

**CASH AND CASH EQUIVALENTS,
BEGINNING OF YEAR:**

666,918

**CASH AND CASH EQUIVALENTS,
END OF YEAR:**

865,815

SUPPLEMENTAL INFORMATION

Interest expense	\$ <u>9,445</u>
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The accompanying notes are an integral part of the financial statements.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(JUNE 30, 2001)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Options, Inc. is a private, non-profit organization whose purpose is to provide needed services for people with mental retardation and developmental disabilities. These services include adult supervised living and supported employment programs in Hammond, Louisiana and the surrounding parishes of Tangipahoa and Livingston.

B. BASE OF ACCOUNTING

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with generally accepted accounting principles.

C. INCOME TAXES

Options, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2001.

D. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

E. CONTRIBUTIONS

Donations of property and equipment are recorded at support at their estimated fair value. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reallocated to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

F. CASH AND CASH EQUIVALENTS

Options, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

G. INVESTMENTS

Investments in securities with readily determinable fair values. All investments in debt securities are measured at fair value in the balance sheet as required by Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations."

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

II. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

I. SUPPORT AND REVENUE

Options, Inc. receives its grant and contract support primarily from the State Department of Health and Hospitals and other State Agencies (see Note 3: Summary of Grants/Contracts Funding). Support received from these grants and contracts is recognized when it is earned. Options, Inc. receives client fees, Medicaid income, and Medicare income for billable client services and recognizes these fees and income when earned.

NOTE 2: FIXED ASSETS

Fixed assets acquired by Options, Inc. are considered to be owned by the Organization. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more, and an estimated useful life of at least one year.

Options, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Estimated Useful Life</u>	
<u>Furniture & Equipment</u>	5-12 years
<u>Leasehold Improvements</u>	8-40 years
<u>Transportation Equipment</u>	5 years
<u>Buildings</u>	31 years

Depreciation expense of \$107,085 was recorded at June 30, 2001.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 3: SUMMARY OF STATE CONTRACT FUNDING

<u>Funding Source</u>	<u>Contract Number</u>	<u>Period</u>	<u>Total Contract</u>	<u>Recognized Support</u>
State Dept. of Health & Hospitals	68391	7/1/00-6/30/01	\$ 382,323	\$ 297,723
State Dept. of Health & Hospitals	68356	7/1/00-6/30/01	30,000	28,500
Total Contracts				<u>\$ 426,223</u>

NOTE 4: ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, are summarized below. Options, Inc. anticipates that all receivables will be collected and no provision for uncollectible receivables has been provided.

Due from State of Louisiana, Department of Health and Hospitals, and Title XIX and Title XIX Waiver:

Programs:

Habilitation Services	\$ 25,131
Other Services	265,538
Residential - "Our House"	22,588
Residential - "Furniture House"	23,132
Residential - "Alpha House"	23,600
Residential - "La Casa"	26,199

Due from private sector:

Contract work	16,811
Other receivables	24,282
	<u>\$ 426,220</u>

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5: ACCUMULATED VACATIONS/LEAVE - EMPLOYEE BENEFITS

Options, Inc.'s employees earn paid vacation after successful completion of three months of initial period of employment.

Vacation and leave accrue at various rates depending upon length of service and hours worked per month, as follows:

<u>EMPLOYEE CLASSIFICATION</u>	<u>ACCUMULATION RATE</u>
40 hour employees	6.67 to 14 hours per month Maximum 168 hours
35-39 hour employees	5.88 to 12.25 hours per month Maximum 147 hours
30-34 hour employees	5 to 10.5 hours per month Maximum 126 hours

The leave policy for the year ending June 30, 2001 permitted employees to carryover five days of leave to the following year. Accumulated leave at June 30, 2001 was \$51,758.

NOTE 6: LONG TERM DEBT

Notes payable consist of the following:

Note payable to Bank, due in monthly installments of \$2,933.34 including interest at 8.0%. The note is secured by vehicles.	\$ 41,865
Note payable to financial institution, due in monthly installments of \$860.72 including interest at 5.99%. The note is secured by vehicles.	44,804
Note payable to an individual, due in monthly installments of \$573.40 including interest at 8%, collateralized by a house located at North General Perishing, Hammond, Louisiana.	23,659
Note payable to Bank, due in monthly installments of \$1,032.99 including interest at 8%, collateralized by a first mortgage on a house and land located on General Ole Road, Hammond, Louisiana.	34,326 173,848
Long term interest maturities	,063,503 <u>\$108,573</u>

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 4: LONG-TERM DEBT (Continued)

Principal maturities of debt are as follows:

2002	\$ 63,595
2003	41,349
2004	21,326
2005	15,851
2006	17,275
thereafter	14,652
	<u>\$ 175,048</u>

NOTE 3: COMMITMENTS AND CONTINGENCIES

Options, Inc. receives a substantial portion of its revenues from government grants and contracts, all of which are subject to audit by the federal or state government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

Management is not aware of any pending audits or proposed adjustments, and no provision for estimated retroactive adjustments has been made.

Options, Inc. is subject to certain claims and litigation. In the opinion of management, the outcome of such matters will not have a material effect on the financial position of the Organization.

NOTE 2: PENSION PLAN

Employees of the Organization may participate in a 401(k) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. Employees may elect to defer a portion of their annual salary subject to Internal Revenue Service limits. The Organization matches up to 3% of the employees' annual salary. Employees contributions for the year ended June 30, 2001, totaled \$13,526.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 9: CATERPILLAR PLAN

The Organization has a "Section 125" employee benefit plan, which is also referred to as a "Caterpillar" plan. The Organization contributes an amount based on length of service. Employees can use this employer contribution for term life insurance, health insurance, dependent care and medical expenses. Employees can contribute additional amounts to this plan on a pre-tax basis. A new employee has a six month waiting period before he or she becomes eligible to participate in the California plan. Employer contributions for the year ended June 30, 2001, totaled \$294,898.

NOTE 10: CONCENTRATION OF CREDIT RISK

Options, Inc. maintains several bank accounts at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at one of these institutions exceeded Federally insured limits. The amount in excess of the FDIC limit totaled \$323,736 as of June 30, 2001.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Investments - Fair value approximates carrying value because the investment is in an indexed fund.

Notes payable - Fair value approximates carrying value because stated rates are similar to rates currently available to Options, Inc. for debt with similar terms and remaining maturities.

The estimated fair values of Options, Inc.'s financial instruments at June 30, 2001, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$657,815	\$657,815
Investments	4,800	4,800
Financial Liabilities:		
Notes payable	173,948	173,948

SUPPLEMENTARY INFORMATION

OPTICSS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2001

	<u>SUPERVISED APARTMENTS</u>	<u>HABILITATION PROGRAM</u>	<u>RESIDENTIAL PROGRAMS</u>	<u>RESPIRE CARU</u>
Salaries	\$ 265,749	\$ 579,419	\$ 429,240	\$ 85,564
Payroll taxes and fringe benefits	<u>32,608</u>	<u>35,576</u>	<u>55,553</u>	<u>9,913</u>
Total Salaries & Related Expenses	<u>301,218</u>	<u>654,995</u>	<u>484,793</u>	<u>95,477</u>
Building-maintenance & repairs	51	3,272	13,646	
Real tax			97,363	
Central office overhead	122,144	135,872	227,054	58,686
Consultants: physicians, therapists, etc.	3,265	483	59,278	1,450
Cost of client employment		70,689		
Equipment				
Fund-raising				
Insurance	2,852	59,857	22,426	565
Interest		511	14,380	
Licenses and membership	380		2,480	300
Miscellaneous	948	3,673	3,685	
Office supplies, printing & copying	2,658	3,342	3,710	
Personal needs, food & laundry			48,590	
Perings				
Recreational and training	893	688	7,256	668
Supplies	145	5,796	25,159	
Telephone	1,608	1,535	3,578	
Training, in service	1,689	2,626		228
Tyred and seminars	9,961	10,384	761	3,663
Vehicles	185	1,298	32,626	
Vehicle-gas, oil & repairs	<u>3,205</u>	<u>73,810</u>	<u>18,851</u>	<u></u>
Total Expenses Before Depreciation	453,536	1,013,900	1,045,884	140,878
Depreciation of buildings & equipment	<u>5,812</u>	<u>49,264</u>	<u>39,287</u>	<u>0</u>
Total Expenses	<u>\$ 459,348</u>	<u>\$1,054,364</u>	<u>\$ 1,085,251</u>	<u>\$ 140,878</u>

See Auditor's report.

CRISIS INTERVENTION	PERSONAL CARE	TOTAL PROGRAM SERVICES	SUPPORTIVE SERVICES	TOTAL EXPENSES
\$ 6,380	\$ 303,591	\$ 1,605,940		\$ 1,605,940
809	38,721	215,153		215,153
7,189	342,312	1,821,093		1,821,093
		15,969		15,969
		77,387		77,387
2,091	158,469	604,156		604,156
20,965		84,459		84,459
		70,689		70,689
			52,596	52,596
36	1,832	67,628		67,628
		14,811		14,811
	289	3,080		3,080
		8,254	20,108	28,362
		9,918		10,068
			150	
		49,596		49,596
		9,495		9,495
	19	31,117		31,117
		8,521		8,521
	139	4,099		4,251
23	3,038	28,891	2,658	28,891
		34,108	459	34,567
		183,946		183,946
30,355	485,621	3,170,268	76,443	3,246,708
0	0	85,173	0	85,173
\$ 30,355	\$ 485,621	\$ 3,255,441	\$ 76,443	\$ 3,331,852

OCTOBS, INC.
 SCHEDULE OF FEDERAL AWARD Awarards
 FOR THE YEAR ENDING JUNE 30, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA OR OTHER NUMBER	PASS-THROUGH GRANTOR'S NUMBER	INCOMPLEMENTS/ DISBURSEMENTS
Department of Health and Human Services Office for Children with Developmental Disabilities			
Vocational and Habilitative Services		OCTOBS 900172 10000 60291 10000 1401-00078	\$ 293,772
Total Other DHH Awards			<u>28,500</u>
TOTAL			<u>\$ 326,272</u>

*Major Programs

See auditor's report

JAMES M. CAMPBELL
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A PROFESSIONAL CORPORATION

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August 24, 2001

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Options, Inc.
Baton Rouge, Louisiana

I have audited the financial statements of Options, Inc. (a nonprofit organization) as of and for the year ended June 30, 2001, and have issued my report thereon dated August 24, 2001. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Options, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Options, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the Internal Control over Financial Reporting and it's operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of Options, Inc., the Louisiana Legislative Auditor and the Louisiana Department of Health and Hospitals and is not intended to be and should not be used by anyone other than those specified parties.



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August 24, 2001

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMBI CIRCULAR A-133**

Board of Directors
Options, Inc.
Harrison, Louisiana

Compliance

I have audited the compliance of Options, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Requirements* that are applicable to each of its major federal programs for the year ended June 30, 2001. Options, Inc.'s major federal/state programs are identified in the Schedule of Federal/State Awards on page number 15. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Options, Inc.'s management. My responsibility is to express an opinion on Options, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Options, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Options, Inc.'s compliance with those requirements.

In my opinion, Options, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE (PLAC COMPLIANCE)
WITH OMB CIRCULAR A-133
(CONCLUSION)

Internal Control Over Compliance

The management of Options, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Options, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of Options, Inc., the Louisiana Legislative Auditor and the Louisiana Department of Health and Hospitals and is not intended to be and should not be used by anyone other than those specified parties.

OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDING JUNE 30, 2004

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Options, Inc.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Options, Inc. were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Options, Inc. expresses an unqualified opinion on all major federal award programs.
6. No audit findings relative to the major federal award programs for Options, Inc. are reported.
7. The programs tested as major programs included: Vocational and Rehabilitative Services.
8. The threshold for disallowing Type A and B programs was \$380,000.
9. Options, Inc. was determined to be a low-risk auditee.